

LIVONIA HOUSING COMMISSION  
LIVONIA, MICHIGAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
AND  
REPORTS ON COMPLIANCE AND  
ON INTERNAL CONTROL

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# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Livonia Housing Commission</b>	County <b>Wayne</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>6/7/05</b>	Date Accountant Report Submitted to State: <b>August 15, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Sailor, Khan &amp; Co</b>			
Street Address <b>P.O. Box 16180</b>		City <b>St. Louis</b>	State <b>MO</b>
Accountant Signature <i>[Signature]</i>		ZIP <b>63105</b>	Date <b>6/7/05</b>

LIVONIA HOUSING COMMISSION  
Livonia, Michigan

TABLE OF CONTENTS

DECEMBER 31, 2004

	<u>Page</u>
Independent Auditor's Report	i
Management's Discussion and Analysis (unaudited)	ii-vii
Basic Financial Statements:	
Statement of Net Assets	1-2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4-5
Notes to Financial Statements	6-17
SUPPLEMENTAL INFORMATION	
Combining Statement of Net Assets By Program	18-22
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets By Program	23-25
Combining Statement of Cash Flows By Program	26-30
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	31
Financial Data Schedule	32-41
REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	43-44
Status of Prior Audit Findings	45
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor Results	46
Section II - Financial Statement Findings	47
Section III - Federal Awards Findings	47

# Sailor Khan & Co.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Livonia Housing Commission  
Livonia, Michigan

We have audited the accompanying basic financial statements of the Livonia Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

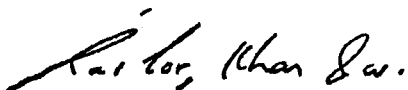
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Livonia Housing Commission, Michigan, as of December 31, 2004, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2005, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to vii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co.  
June 7, 2005

## **Livonia Housing Commission**

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### **Management's Discussion and Analysis (MD&A) December 31, 2004 (Unaudited)**

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As management of the Livonia Housing Commission we offer citizens, agencies and partners the opportunity to review this audit report, narrative, discussion and analysis of the Livonia Housing Commission's financial activities for the fiscal year ended December 31, 2004. This discussion and analysis letter of the Livonia Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

The basic financial statements reflect all of the Commission's Federally funded programs and activities. The accompanying Financial Data Schedule reports these results in more detail, program by program. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages Public Housing Agencies (PHAs) to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

#### **FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2004 were \$4,834,029. The net assets decreased by \$53,857, a decrease of 1.1% over the prior year.

Revenues and contributions for the Commission were \$7,728,301 for the year ended December 31, 2004. This was an increase of \$469,778 or 6.5% from the prior year.

Expenses for the Commission were \$7,782,158 for the year ended December 31, 2004. This was an increase of \$473,832 or 6.5% from the prior year.

HUD operating grants was \$6,924,374 for the year ended December 31, 2004. This was an increase of \$389,481 or 6.0% over the prior year. Capital contributions for the Commission was \$281,772 for the year ended December 31, 2004. This was an increase of \$47,836 or 20.4% over the prior year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

## Management's Discussion and Analysis (MD&A) - Continued

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

#### Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2004 and is required to be included in the audit reporting package.

### LIVONIA HOUSING COMMISSION PROGRAMS

Low Rent Public Housing: Under this program, the Housing Commission rents apartments that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the adjusted household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for modernization and Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Vouchers Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the families contribution at 30% of a participant's income.

## Management's Discussion and Analysis (MD&A) - Continued

### LIVONIA HOUSING COMMISSION PROGRAMS (CONTINUED)

*Section 8 New Construction Program:* The building is owned and managed by third parties. The Housing Commission has an Annual Contributions Contract with HUD to provide Housing Assistance Payments for the residents that live in this project and acts as the contract administrator for the program to ensure conformance with HUD regulations (4350.3) and housing quality standards.

### FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$4,834,029 at the close of the year ended December 31, 2004 down from \$4,887,886 in 2003. The decrease in net assets of \$53,857 was due to the change in net assets.

The unrestricted net assets were \$729,351 as of December 31, 2004. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

#### CONDENSED STATEMENTS OF NET ASSETS DECEMBER 31

	2004	2003	Dollar Change	Percent Change
Current and other assets	\$ 1,053,509	\$ 1,120,810	\$ (67,301)	-6.0%
Capital assets	4,104,678	4,117,627	(12,949)	-0.3%
Total Assets	<u>5,158,187</u>	<u>5,238,437</u>	<u>(80,250)</u>	-1.5%
Current liabilities	252,836	301,114	(48,278)	-16.0%
Noncurrent liabilities	71,322	49,437	21,885	44.3%
Total Liabilities	<u>324,158</u>	<u>350,551</u>	<u>(26,393)</u>	-7.5%
Net Assets				
Invested in capital assets	4,104,678	4,117,627	(12,949)	-0.3%
Unrestricted	729,351	770,259	(40,908)	-5.3%
Total Net Assets	<u>\$ 4,834,029</u>	<u>\$ 4,887,886</u>	<u>\$ (53,857)</u>	-1.1%

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page total revenues and contributions increased by \$469,778 due to increases in rental revenue, HUD operating grants, capital contributions and other income.

**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
DECEMBER 31**

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues and Contributions</b>				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 472,540	\$ 460,451	12,089	2.6%
HUD operating grants	6,924,374	6,534,893	389,481	6.0%
Interest income	6,901	3,578	3,323	92.9%
Capital Contributions	281,772	233,936	47,836	20.4%
Other income	42,714	25,665	17,049	66.4%
Total Revenues and Contributions	<u>7,728,301</u>	<u>7,258,523</u>	<u>469,778</u>	6.5%
<b>Expenses</b>				
Personal services	700,528	682,457	18,071	2.6%
Utilities	139,564	122,860	16,704	13.6%
Operations and maintenance	85,469	98,057	(12,588)	-12.8%
Non routine maintenance	49,258	4,150	45,108	1086.9%
Insurance	28,457	24,945	3,512	14.1%
Payment in lieu of taxes	19,239	18,501	738	4.0%
Other supplies and expenses	197,232	230,226	(32,994)	-14.3%
Housing assistance payments	6,268,190	5,855,143	413,047	7.1%
Loss on sale of fixed assets	2,761	---	2,761	??
Depreciation	291,460	271,987	19,473	7.2%
Total Expenses	<u>7,782,158</u>	<u>7,308,326</u>	<u>473,832</u>	6.5%
Change in net assets	(53,857)	(49,803)	(4,054)	
Beginning net assets	<u>4,887,886</u>	<u>4,937,689</u>	<u>(49,803)</u>	
Ending net assets	\$ <u>4,834,029</u>	\$ <u>4,887,886</u>	\$ <u>(53,857)</u>	

Total expenses increased by \$473,832 due to increases in personal services, utilities, non-routine maintenance, insurance, housing assistance payments and depreciation expense, which were slightly offset by decreases in operations and maintenance and other supplies and expenses.

During fiscal year ended December 31, 2004, Livonia Housing Commission maintained a lease-up rate of 96% in its Public Housing Program; a lease-up rate of 97% in its Section 8 HCV program; and a lease-up rate of 99% in its Section 8 N/C program. The Public Housing lease-up rate is just below HUD guidelines; both the Section 8 lease-up rates exceed HUD guidelines.



**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

*Budget Analysis:*

A Low Rent Public Housing Operating Budget for fiscal year ended December 31, 2004 was presented to and approved by the Board of Commissioners. The budget was revised and approved for the second time in September. Actual results were in line with the revised budgeted amounts, although we experienced a small (1%) overrun of overall Operating Expenses.

**CAPITAL ASSETS**

*Capital Assets* - The Livonia Housing Commission's investment in capital assets, as of December 31, 2004 amounts to \$4,104,678 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
DECEMBER 31**

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>
Land	\$ 308,946	\$ 308,946	\$ ----
Building	5,076,256	5,547,732	(471,476)
Furniture, equipment and machinery- dwelling	161,607	161,607	----
Furniture, equipment and machinery- administration	402,211	469,415	(67,204)
Leasehold improvements	1,560,017	1,080,543	479,474
Construction in progress	<u>281,772</u>	<u>-----</u>	<u>281,772</u>
	7,790,809	7,568,243	222,566
Accumulated depreciation	<u>3,686,131</u>	<u>3,450,616</u>	<u>235,515</u>
Total	<u>\$ 4,104,678</u>	<u>\$ 4,117,627</u>	<u>\$ (12,949)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$12,949 in terms of net book value.

During fiscal year ended December 31, 2004, our Capital Fund Program work project was the elevator reconstruction project in our senior building McNamara Towers #1. This was an extremely complicated and expensive project, utilizing all Capital Project funds available from two different funding years plus money received via the Community Development Block Grant program. The total cost of this project, including A&E fees, was \$358,450 as of December 31, 2004.

**Management's Discussion and Analysis (MD&A) - Continued**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2005 Federal budget.

The Livonia Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, however we feel that we are both financially and operationally in a strong position to continue to provide safe, decent and affordable housing to our residents.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Mr. James M. Inglis, Executive Director, Livonia Housing Commission, 19300 Purlingbrook Road, Livonia, Michigan 48152

LIVONIA HOUSING COMMISSION

Livonia, Michigan

STATEMENT OF NET ASSETS

December 31, 2004

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 995,538.83
Receivable - net of allowances: Accounts	<u>57,970.75</u>
Total Current Assets	<u>1,053,509.58</u>

Noncurrent Assets:

Capital assets:

Land, improvements, and construction in progress	590,718.34
Other capital assets, net of depreciation	<u>3,513,959.48</u>
Total capital assets- net	<u>4,104,677.82</u>
Total Noncurrent Assets	<u>4,104,677.82</u>

Total Assets	\$ <u><u>5,158,187.40</u></u>
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See notes to financial statements

LIVONIA HOUSING COMMISSION

Livonia, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

December 31, 2004

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 135,589.43
Accrued salaries, wages and benefits	78,904.80
Accrued compensated absences	7,923.92
Tenant security deposit liability	30,228.00
Deferred revenues	<u>190.50</u>

Total Current Liabilities	<u>252,836.65</u>
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Noncurrent Liabilities:

Accrued compensated absences	<u>71,322.00</u>
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Total Noncurrent Liabilities	<u>71,322.00</u>
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Total Liabilities	<u>324,158.65</u>
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**NET ASSETS**

Invested in capital assets	4,104,677.82
Unrestricted	<u>729,350.93</u>

Total Net Assets	<u>4,834,028.75</u>
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Total Liabilities and Net Assets	<u>\$ 5,158,187.40</u>
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See notes to financial statements

# LIVONIA HOUSING COMMISSION

Livonia, Michigan

## STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended December 31, 2004

<b>Operating Revenues:</b>	
Rental revenue	\$ 472,539.65
Operating subsidies- HUD grants	6,924,374.00
Other revenues	<u>42,713.91</u>
Total operating revenues	<u>7,439,627.56</u>
<b>Operating Expenses:</b>	
Personal services	700,528.15
Utilities	139,563.68
Operations and maintenance	85,469.28
Non routine maintenance	49,258.32
Insurance	28,457.00
Payment in lieu of taxes	19,238.73
Other supplies and expenses	197,232.54
Housing assistance payments	6,268,189.76
Depreciation	<u>291,460.23</u>
Total operating expenses	<u>7,779,397.69</u>
Operating income (loss)	<u>(339,770.13)</u>
<b>Non-operating revenues (expenses):</b>	
Interest and investment earnings	6,901.33
Gain (Loss) on sale of fixed assets	<u>(2,760.70)</u>
Net non-operating revenues (expenses)	<u>4,140.63</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(335,629.50)
Capital contributions	<u>281,772.00</u>
Change in net assets	(53,857.50)
Net assets at beginning of year	<u>4,887,886.25</u>
Net assets at end of year	<u>\$ 4,834,028.75</u>

See notes to financial statements

LIVONIA HOUSING COMMISSION

Livonia, Michigan

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2004

<b>Cash flows from operating activities:</b>	
Cash received from tenants	\$ 473,421.40
Cash received from HUD grants- operating	7,003,052.00
Cash received from other operating activities	45,781.84
Cash payments for goods and services	(6,777,094.17)
Cash payments to employees-salaries	(542,058.64)
Cash payments for employee benefit contributions	(225,206.59)
Cash payments for in lieu of property taxes	<u>(18,501.12)</u>
Net cash provided (used) by operating activities	<u>(40,605.28)</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital contributions	227,899.00
Proceeds from sale of assets	500.00
Payments for capital assets	<u>(281,772.00)</u>
Net cash (used) for capital and related financing activities	<u>(53,373.00)</u>
<b>Cash flows from investing activities:</b>	
Interest and dividends	6,901.33
Receipts (payments) from tenant security deposits	<u>2,412.00</u>
Net cash provided (used ) from investing activities	<u>9,313.33</u>
Net increase (decrease) in cash and cash equivalents	(84,664.95)
Cash and cash equivalents at beginning of year	<u>1,080,203.78</u>
Cash and cash equivalents at end of year	\$ <u><u>995,538.83</u></u>

See notes to financial statements

LIVONIA HOUSING COMMISSION

Livonia, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended December 31, 2004

**Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities:**

Operating income (loss)	\$ (339,770.13)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	291,460.23
Allowance for doubtful accounts	1,240.00
Changes in assets and liabilities:	
Receivables	33,135.18
Prepaid expenses	2,134.00
Accounts and other payables	38,098.02
Deferred revenues	(165.50)
Compensated absences	13,329.20
Accrued expenses	<u>(80,066.28)</u>
Net cash provided (used) by operating activities	\$ <u><u>(40,605.28)</u></u>

See notes to financial statements

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies**

The Livonia Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended December 31, 2004, the Housing Commission implemented the new financial reporting requirements of GASB Statement No 34. As a result, an entirely new financial presentation format has been implemented.

**1a. Financial Reporting Entity**

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

**1b. Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.



LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Drug Elimination Grant	Accounts for activities of funds provided for development of law enforcement and prevention programs for public housing residents
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
New Construction	Accounts for activities of the New Construction program which assists very low-income families, the elderly, and the disabled to have decent, safe and sanitary housing through the housing assistance payments received by the housing authority.
Community Development Block Grant	Accounts for activities of the Community Development Block Grant, which passes through the City of Livonia. The Community Development Block Grant was for the renovation of elevators in Michigan 55-1, smoke detectors in 55-2, new apartments doors and mailbox collectors in Michigan 55-1.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - Summary of Significant Accounting Policies (Continued)

**1c. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**1d. Assets, Liabilities, and Equity**

**Cash**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

**Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity (Continued)**

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

**Budgets and Budgetary Accounting**

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

**Estimates and Assumptions**

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity (Continued)**

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,000.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	15-40	years
Furniture, equipment and machinery - dwelling	7	years
Furniture, equipment and machinery - administration	3-20	years
Leasehold improvements	7-20	years

**Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1e. Revenues, Expenditures, and Expenses**

**Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

**Interfund Transfers**

For the purposes of the Statement of Activities, all interfund transfers between individual programs, if any, have been eliminated.

**NOTE 2 - Stewardship, Compliance, and Accountability**

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

**2a. Program Accounting Requirements**

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Drug Elimination Program	U.S. Department of Housing and Urban Development
New Construction	U.S. Department of Housing and Urban Development
Community Development	
Block Grant	U.S. Department of Housing and Urban Development

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 2 - Stewardship, Compliance, and Accountability (Continued)

**2b. Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

**2c. Revenue Restrictions**

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended December 31, 2004, the Commission complied, in all material respects, with these revenue restrictions.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 3 - Detail Notes on Transaction Classes/Accounts**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3a. Cash**

**Deposits**

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at December 31, 2004. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ <u>1,118,771.02</u>	\$ <u>1,118,771.02</u>	\$ ----	\$ ----	\$ <u>995,263.83</u>
Total Deposits	\$ <u>1,118,771.02</u>	\$ <u>1,118,771.02</u>	\$ ----	\$ ----	\$ <u>995,263.83</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)**

**3b. Accounts Receivable**

Receivables detail at December 31, 2004, is as follows:

Tenant accounts receivable	\$ 1,524.75
Allowance for doubtful accounts	<u>(1,240.00)</u>
Tenants accounts receivable - net	284.75
Accounts receivable - HUD	<u>57,686.00</u>
	<u>\$ 57,970.75</u>

**3c. Capital Assets**

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Transfers in (out)</u>	<u>Balance December 31, 2004</u>
Land	\$ 308,946.34	\$ ----	\$ ----	\$ ----	\$ 308,946.34
Building	5,547,731.09	----	----	(471,475.10)	5,076,255.99
Furniture, equipment and machinery- dwelling	161,607.26	----	----	----	161,607.26
Furniture, equipment and machinery- administration	469,414.97	----	(56,988.48)	(10,216.00)	402,210.49
Leasehold improvements	1,080,543.04	----	(2,217.00)	481,691.10	1,560,017.14
Construction in progress	<u>----</u>	<u>281,772.00</u>	<u>----</u>	<u>----</u>	<u>281,772.00</u>
	7,568,242.70	<u>\$ 281,772.00</u>	<u>\$ (59,205.48)</u>	<u>\$ ----</u>	7,790,809.22
Accumulated depreciation	<u>3,450,615.95</u>	<u>\$ 291,460.23</u>	<u>\$ (55,944.78)</u>	<u>\$ ----</u>	<u>3,686,131.40</u>
Total	<u>\$ 4,117,626.75</u>				<u>\$ 4,104,677.82</u>



LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3d. Accounts Payable

Payables are composed of payables to vendors and other government as follows:

Vendors	\$ 37,190.33
HUD PHA Programs	55,072.00
Accrued liabilities-other	24,088.37
Other government - PILOT	<u>19,238.73</u>
	<u>\$ 135,589.43</u>

3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at December 31, 2004 is \$79,45.92.

3f. Non-current Liabilities

As of December 31, 2004, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	<u>\$ 71,322.00</u>
Total	<u>\$ 71,322.00</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2004:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2004</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>49,437.45</u>	\$ <u>21,884.55</u>	\$ <u>----</u>	\$ <u>71,322.00</u>	\$ <u>7,923.92</u>
Total	\$ <u>49,437.45</u>	\$ <u>21,884.55</u>	\$ <u>----</u>	\$ <u>71,322.00</u>	\$ <u>7,923.92</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3g. Interprogram Transactions and Balances

*Interprogram Receivable/Payable*

Public and Indian Housing - Low Rent	\$ 172,864.54
Housing Choice Vouchers	(320,112.41)
New Construction	201,120.87
Community Development Block Grant	<u>(53,873.00)</u>
Total	<u>\$ ----</u>

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Contribution Plan: The Commission has also provided a defined contribution plan. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after four years of service. The Commission contributed a percentage of covered payroll based on employee hire date. The Commission contributes 12% for those employees hired prior to March 31, 1997 and 7% for those employees hired on or after April 1, 1997.

For the year ended December 31, 2004, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 461,117.76
Payroll for covered employees	\$ 460,366.00
Employer (Commission) contributions made	\$ 38,548.07

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 4 - Other Notes (Continued)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Risk Retention Group.
b. Injuries to employees (workers' compensation)	Insured through the City of Livonia
c. Physical property loss and natural disasters	Purchased commercial insurance with \$50,000 deductibles.
d. Health and life	Health coverage insured through the City of Livonia; Life insurance is provided by Great West.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

December 31, 2004

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 327,199.23	\$ 668,339.60
Receivable - net of allowances:		
Accounts	284.75	----
Due from (to) interprogram	<u>172,864.54</u>	<u>(320,112.41)</u>
Total Current Assets	<u>500,348.52</u>	<u>348,227.19</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	308,946.34	----
Other capital assets, net of depreciation	<u>3,483,197.23</u>	<u>30,762.25</u>
Total capital assets- net	<u>3,792,143.57</u>	<u>30,762.25</u>
Total Noncurrent Assets	<u>3,792,143.57</u>	<u>30,762.25</u>
Total Assets	<u>\$ 4,292,492.09</u>	<u>\$ 378,989.44</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2004

	Low Rent Program	Housing Choice Vouchers
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 74,246.16	\$ 60,843.27
Accrued salaries, wages and benefits	45,241.58	33,663.22
Accrued compensated absences	5,764.26	1,447.10
Tenant security deposit liability	30,228.00	-----
Deferred revenues	190.50	-----
Total Current Liabilities	<u>155,670.50</u>	<u>95,953.59</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>51,883.00</u>	<u>13,024.00</u>
Total Noncurrent Liabilities	<u>51,883.00</u>	<u>13,024.00</u>
Total Liabilities	<u>207,553.50</u>	<u>108,977.59</u>
<b>NET ASSETS</b>		
Invested in capital assets	3,792,143.57	30,762.25
Unrestricted	<u>292,795.02</u>	<u>239,249.60</u>
Total Net Assets	<u>4,084,938.59</u>	<u>270,011.85</u>
Total Liabilities and Net Assets	<u>\$ 4,292,492.09</u>	<u>\$ 378,989.44</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2004

	<u>New Construction</u>	<u>Community Development Block Grant</u>
<b>ASSETS</b>		
Current Assets:		
Receivable - net of allowances:		
Accounts	\$ 3,813.00	\$ 53,873.00
Due from (to) interprogram	<u>201,120.87</u>	<u>(53,873.00)</u>
Total Current Assets	<u>204,933.87</u>	<u>-----</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	<u>-----</u>	<u>53,873.00</u>
Total capital assets- net	<u>-----</u>	<u>53,873.00</u>
Total Noncurrent Assets	<u>-----</u>	<u>53,873.00</u>
Total Assets	\$ <u>204,933.87</u>	\$ <u>53,873.00</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 500.00	\$ -----
Accrued compensated absences	<u>712.56</u>	<u>-----</u>
Total Current Liabilities	<u>1,212.56</u>	<u>-----</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>6,415.00</u>	<u>-----</u>
Total Noncurrent Liabilities	<u>6,415.00</u>	<u>-----</u>
Total Liabilities	<u>7,627.56</u>	<u>-----</u>
<b>NET ASSETS</b>		
Invested in capital assets	<u>-----</u>	<u>53,873.00</u>
Unrestricted	<u>197,306.31</u>	<u>-----</u>
Total Net Assets	<u>197,306.31</u>	<u>53,873.00</u>
Total Liabilities and Net Assets	\$ <u>204,933.87</u>	\$ <u>53,873.00</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2004

	Capital Fund Program	PIH Drug Program	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ -----	\$ -----	\$ 995,538.83
Receivable - net of allowances:			
Accounts	-----	-----	57,970.75
Total Current Assets	-----	-----	1,053,509.58
Noncurrent Assets:			
Capital assets:			
Land, improvements, and construction in progress	227,899.00	-----	590,718.34
Other capital assets, net of depreciation	-----	-----	3,513,959.48
Total capital assets- net	227,899.00	-----	4,104,677.82
Total Noncurrent Assets	227,899.00	-----	4,104,677.82
Total Assets	\$ 227,899.00	\$ -----	\$ 5,158,187.40

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2004

	Capital Fund Program	PIH Drug Program	Totals
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ -----	\$ -----	\$ 135,589.43
Accrued salaries, wages and benefits	-----	-----	78,904.80
Accrued compensated absences	-----	-----	7,923.92
Tenant security deposit liability	-----	-----	30,228.00
Deferred revenues	-----	-----	190.50
Total Current Liabilities	-----	-----	252,836.65
Noncurrent Liabilities:			
Accrued compensated absences	-----	-----	71,322.00
Total Noncurrent Liabilities	-----	-----	71,322.00
Total Liabilities	-----	-----	324,158.65
<b>NET ASSETS</b>			
Invested in capital assets	227,899.00	-----	4,104,677.82
Unrestricted	-----	-----	729,350.93
Total Net Assets	227,899.00	-----	4,834,028.75
Total Liabilities and Net Assets	\$ <u>227,899.00</u>	\$ <u>-----</u>	\$ <u>5,158,187.40</u>



LIVONIA HOUSING COMMISSION

Livonia, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN FUND NET ASSETS BY PROGRAM**

For Year Ended December 31, 2004

	Low Rent Program	Housing Choice Vouchers
<b>Operating Revenues:</b>		
Rental revenue	\$ 472,539.65	\$ -----
Operating subsidies- HUD grants	162,883.00	5,826,165.00
Other revenues	38,148.21	4,565.70
Total operating revenues	<u>673,570.86</u>	<u>5,830,730.70</u>
<b>Operating Expenses:</b>		
Personal services	410,500.37	269,866.64
Utilities	139,563.68	-----
Operations and maintenance	85,469.28	-----
Non routine maintenance	49,258.32	-----
Insurance	22,371.00	6,086.00
Payment in lieu of taxes	19,238.73	-----
Other supplies and expenses	37,071.39	152,454.65
Housing assistance payments	-----	5,403,016.76
Depreciation	277,876.79	13,583.44
Total operating expenses	<u>1,041,349.56</u>	<u>5,845,007.49</u>
Operating income (loss)	<u>(367,778.70)</u>	<u>(14,276.79)</u>
<b>Non-operating revenues (expenses):</b>		
Interest and investment earnings	2,632.15	4,269.18
Gain (Loss) on sale of fixed assets	(1,708.80)	500.00
Net non-operating revenues (expenses)	<u>923.35</u>	<u>4,769.18</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	<u>(366,855.35)</u>	<u>(9,507.61)</u>
Change in net assets	(366,855.35)	(9,507.61)
Net assets at beginning of year	<u>3,988,416.77</u>	<u>279,519.46</u>
Equity transfers	<u>463,377.17</u>	-----
Net assets at end of year	<u>\$ 4,084,938.59</u>	<u>\$ 270,011.85</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2004

	New Construction	Community Development Block Grant
<b>Operating Revenues:</b>		
Operating subsidies- HUD grants	\$ 935,326.00	\$ -----
Total operating revenues	<u>935,326.00</u>	<u>-----</u>
<b>Operating Expenses:</b>		
Personal services	20,161.14	-----
Other supplies and expenses	7,706.50	-----
Housing assistance payments	<u>865,173.00</u>	<u>-----</u>
Total operating expenses	<u>893,040.64</u>	<u>-----</u>
Operating income (loss)	<u>42,285.36</u>	<u>-----</u>
<b>Non-operating revenues (expenses):</b>		
Gain (Loss) on sale of fixed assets	<u>(1,551.90)</u>	<u>-----</u>
Net non-operating revenues (expenses)	<u>(1,551.90)</u>	<u>-----</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	40,733.46	-----
Capital contributions	<u>-----</u>	<u>53,873.00</u>
Change in net assets	40,733.46	53,873.00
Net assets at beginning of year	<u>156,572.85</u>	<u>-----</u>
Net assets at end of year	<u>\$ 197,306.31</u>	<u>\$ 53,873.00</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2004

	Capital Fund Program	PIH Drug Program	Totals
<b>Operating Revenues:</b>			
Rental revenue	\$ -----	\$ -----	\$ 472,539.65
Operating subsidies- HUD grants	-----	-----	6,924,374.00
Other revenues	-----	-----	42,713.91
	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total operating revenues	<u>-----</u>	<u>-----</u>	<u>7,439,627.56</u>
<b>Operating Expenses:</b>			
Personal services	-----	-----	700,528.15
Utilities	-----	-----	139,563.68
Operations and maintenance	-----	-----	85,469.28
Non routine maintenance	-----	-----	49,258.32
Insurance	-----	-----	28,457.00
Payment in lieu of taxes	-----	-----	19,238.73
Other supplies and expenses	-----	-----	197,232.54
Housing assistance payments	-----	-----	6,268,189.76
Depreciation	-----	-----	291,460.23
	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total operating expenses	<u>-----</u>	<u>-----</u>	<u>7,779,397.69</u>
Operating income (loss)	<u>-----</u>	<u>-----</u>	<u>(339,770.13)</u>
<b>Non-operating revenues (expenses):</b>			
Interest and investment earnings	-----	-----	6,901.33
Gain (Loss) on sale of fixed assets	-----	-----	(2,760.70)
	<u>-----</u>	<u>-----</u>	<u>-----</u>
Net non-operating revenues (expenses)	<u>-----</u>	<u>-----</u>	<u>4,140.63</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	-----	-----	(335,629.50)
Capital contributions	<u>227,899.00</u>	<u>-----</u>	<u>281,772.00</u>
Change in net assets	227,899.00	-----	(53,857.50)
Net assets at beginning of year	444,729.26	18,647.91	4,887,886.25
Equity transfers	<u>(444,729.26)</u>	<u>(18,647.91)</u>	<u>-----</u>
Net assets at end of year	\$ <u>227,899.00</u>	\$ <u>-----</u>	\$ <u>4,834,028.75</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended December 31, 2004

	Low Rent Program	Housing Choice Vouchers
<b>Cash flows from operating activities:</b>		
Cash received from tenants	\$ 473,421.40	\$ -----
Cash received from HUD grants- operating	162,883.00	5,915,310.00
Cash received from other operating activities	41,116.14	4,665.70
Cash payments for goods and services	(319,956.28)	(5,583,758.39)
Cash payments to employees-salaries	(288,749.52)	(239,221.12)
Cash payments for employee benefit contributions	(131,056.82)	(88,514.77)
Cash payments for in lieu of property taxes	(18,501.12)	-----
Net cash provided (used) by operating activities	<u>(80,843.20)</u>	<u>8,481.42</u>
<b>Cash flows from noncapital financing activities:</b>		
Receipts (payments) from interprograms	<u>(47,759.00)</u>	<u>25,642.50</u>
Net cash provided (used) from non capital financing activities	<u>(47,759.00)</u>	<u>25,642.50</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from sale of assets	-----	500.00
Net cash (used) for capital and related financing activities	-----	<u>500.00</u>
<b>Cash flows from investing activities:</b>		
Interest and dividends	2,632.15	4,269.18
Receipts (payments) from tenant security deposits	<u>2,412.00</u>	-----
Net cash provided (used) from investing activities	<u>5,044.15</u>	<u>4,269.18</u>
Net increase (decrease) in cash and cash equivalents	(123,558.05)	38,893.10
Cash and cash equivalents at beginning of year	<u>450,757.28</u>	<u>629,446.50</u>
Cash and cash equivalents at end of year	<u>\$ 327,199.23</u>	<u>\$ 668,339.60</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2004

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (367,778.70)	\$ (14,276.79)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	277,876.79	13,583.44
Allowance for doubtful accounts	1,240.00	-----
Changes in assets and liabilities:		
Receivables	2,775.18	34,173.00
Prepaid expenses	2,134.00	-----
Accounts and other payables	12,381.00	32,871.02
Deferred revenues	(165.50)	-----
Compensated absences	11,798.81	1,092.25
Accrued expenses	<u>(21,104.78)</u>	<u>(58,961.50)</u>
Net cash provided (used) by operating activities	<u>\$ (80,843.20)</u>	<u>\$ 8,481.42</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2004

	<u>New Construction</u>	<u>Community Development Block Grant</u>
<b>Cash flows from operating activities:</b>		
Cash received from HUD grants- operating	\$ 924,859.00	\$ -----
Cash payments for goods and services	(873,379.50)	-----
Cash payments to employees-salaries	(14,088.00)	-----
Cash payments for employee benefit contributions	<u>(5,635.00)</u>	<u>-----</u>
Net cash provided (used) by operating activities	<u>31,756.50</u>	<u>-----</u>
<b>Cash flows from noncapital financing activities:</b>		
Receipts (payments) from interprograms	<u>(31,756.50)</u>	<u>53,873.00</u>
Net cash provided (used ) from non capital financing activities	<u>(31,756.50)</u>	<u>53,873.00</u>
<b>Cash flows from capital and related financing activities:</b>		
Payments for capital assets	<u>-----</u>	<u>(53,873.00)</u>
Net cash (used) for capital and related financing activities	<u>-----</u>	<u>(53,873.00)</u>
Net increase (decrease) in cash and cash equivalents	-----	-----
Cash and cash equivalents at beginning of year	-----	-----
Cash and cash equivalents at end of year	\$ <u>-----</u>	\$ <u>-----</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 42,285.36	\$ -----
Changes in assets and liabilities:		
Receivables	(3,813.00)	-----
Accounts and other payables	(7,154.00)	-----
Compensated absences	<u>438.14</u>	<u>-----</u>
Net cash provided (used) by operating activities	\$ <u><u>31,756.50</u></u>	\$ <u><u>-----</u></u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2004

	Capital Fund Program	PIH Drug Program	Totals
<b>Cash flows from operating activities:</b>			
Cash received from tenants	\$ ----	\$ ----	\$ 473,421.40
Cash received from HUD grants- operating	----	----	7,003,052.00
Cash received from other operating activities	----	----	45,781.84
Cash payments for goods and services	----	----	(6,777,094.17)
Cash payments to employees-salaries	----	----	(542,058.64)
Cash payments for employee benefit contributions	----	----	(225,206.59)
Cash payments for in lieu of property taxes	----	----	(18,501.12)
	<u>----</u>	<u>----</u>	<u>----</u>
Net cash provided (used) by operating activities	<u>----</u>	<u>----</u>	<u>(40,605.28)</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions	227,899.00	----	227,899.00
Proceeds from sale of assets	----	----	500.00
Payments for capital assets	<u>(227,899.00)</u>	<u>----</u>	<u>(281,772.00)</u>
	<u>----</u>	<u>----</u>	<u>----</u>
Net cash (used) for capital and related financing activities	<u>----</u>	<u>----</u>	<u>(53,373.00)</u>
<b>Cash flows from investing activities:</b>			
Interest and dividends	----	----	6,901.33
Receipts (payments) from tenant security deposits	<u>----</u>	<u>----</u>	<u>2,412.00</u>
	<u>----</u>	<u>----</u>	<u>----</u>
Net cash provided (used ) from investing activities	<u>----</u>	<u>----</u>	<u>9,313.33</u>
Net increase (decrease) in cash and cash equivalents	----	----	(84,664.95)
Cash and cash equivalents at beginning of year	<u>----</u>	<u>----</u>	<u>1,080,203.78</u>
Cash and cash equivalents at end of year	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 995,538.83</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2004

	<u>Capital Fund Program</u>	<u>PIH Drug Program</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ -----	\$ -----	\$ (339,770.13)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-----	-----	291,460.23
Allowance for doubtful accounts	-----	-----	1,240.00
Changes in assets and liabilities:			
Receivables	-----	-----	33,135.18
Prepaid expenses	-----	-----	2,134.00
Accounts and other payables	-----	-----	38,098.02
Deferred revenues	-----	-----	(165.50)
Compensated absences	-----	-----	13,329.20
Accrued expenses	-----	-----	(80,066.28)
Net cash provided (used) by operating activities	\$ <u>-----</u>	\$ <u>-----</u>	\$ <u>(40,605.28)</u>



LIVONIA HOUSING COMMISSION

Livonia, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended December 31, 2004

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2004	Low Rent Program	14.850a	\$ <u>162,883.00</u>
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	\$ <u>5,826,165.00</u>
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2004	New Construction	14.182	\$ <u>893,040.64</u>
	<u>Public and Indian Housing</u> <u>Nonmajor - Indirect Program</u> <u>Pass thru City of Livonia</u>		
2004	Community Development Block Grant	14.218	\$ <u>53,873.00</u>
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2004	Capital Fund program	14.872	\$ <u>227,899.00</u>
	<b>Total</b>		\$ <u>7,163,860.64</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1 - Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	<b>Assets:</b>		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ 327,199.23	\$ 668,339.60
100	Total cash	327,199.23	668,339.60
	Accounts and notes receivable:		
126	Accounts receivable- tenants-dwelling rents	1,524.75	----
126.1	Allowance for doubtful accounts-dwelling rents	(1,240.00)	----
120	Total receivables, net of allowance for doubtful accounts	284.75	----
144/ (347)	Interprogram due from	172,864.54	(320,112.41)
150	Total current assets	500,348.52	348,227.19
	Noncurrent Assets:		
	Fixed assets:		
161	Land	308,946.34	----
162	Buildings	5,076,255.99	----
163	Furniture, equipment and machinery-dwellings	161,607.26	----
164	Furniture, equipment and machinery-administration	283,008.27	119,202.22
165	Leasehold improvements	1,560,017.14	----
166	Accumulated depreciation	(3,597,691.43)	(88,439.97)
160	Total fixed assets, net of accumulated depreciation	3,792,143.57	30,762.25
180	Total noncurrent assets	3,792,143.57	30,762.25
190	Total Assets	\$ 4,292,492.09	\$ 378,989.44

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	<b>Liabilities and Equity:</b>		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (30,919.06)	\$ (5,771.27)
321	Accrued wage / payroll taxes payable	(45,241.58)	(33,663.22)
322	Accrued compensated absences- current portion	(5,764.26)	(1,447.10)
331	Accounts payable -HUD PHA programs	-----	(55,072.00)
333	Accounts payable -other government	(19,238.73)	-----
341	Tenant security deposits	(30,228.00)	-----
342	Deferred revenues	(190.50)	-----
346	Accrued liabilities-other	(24,088.37)	-----
310	Total current liabilities	(155,670.50)	(95,953.59)
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	(51,883.00)	(13,024.00)
350	Total noncurrent liabilities	(51,883.00)	(13,024.00)
300	Total liabilities	(207,553.50)	(108,977.59)
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	(3,792,143.57)	(30,762.25)
512.1	Unrestricted Net Assets	(292,795.02)	(239,249.60)
600	Total Liabilities and Equity	\$ (4,292,492.09)	\$ (378,989.44)

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	<b>Revenue:</b>		
703	Net rental revenue	\$ (464,802.00)	\$ -----
704	Tenant revenue-other	(9,087.50)	-----
705	Total tenant revenue	(473,889.50)	-----
706	HUD PHA operating grants	(162,883.00)	(5,826,165.00)
711	Investment income-unrestricted	(2,632.15)	(4,269.18)
714	Fraud recovery	-----	(4,490.70)
715	Other revenue	(38,148.21)	(75.00)
716	Gain on sale of fixed assets	1,708.80	(500.00)
700	Total revenue	(675,844.06)	(5,835,499.88)
	<b>Expenses:</b>		
	Administrative		
911	Administrative salaries	128,566.86	179,385.02
912	Auditing fees	3,080.00	1,000.00
914	Compensated absences	11,798.81	1,092.25
915	Employee benefit contributions-administrative	62,907.00	88,514.77
916	Other operating-administrative	31,875.07	149,404.24
	Tenant services		
921	Tenant services-salaries	44,240.93	-----
923	Employee benefit contributions-tenant services	20,969.00	-----
924	Tenant services-other	2,116.32	-----
	Utilities		
931	Water	21,512.83	-----
932	Electricity	61,814.53	-----
933	Gas	56,236.32	-----
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	94,836.95	-----
942	Ordinary maintenance and operation-materials & other	15,178.09	-----
943	Ordinary maintenance and operation-contract costs	70,291.19	-----
945	Employee benefit contributions-ordinary maintenance	47,180.82	-----

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	General expenses		
961	Insurance premiums	22,371.00	6,086.00
962	Other general expense	-----	2,050.41
963	Payments in lieu of taxes	19,238.73	-----
964	Bad debts- tenant rents	1,349.85	-----
968	Severance expense	-----	874.60
969	Total operating expenses	<u>715,564.30</u>	<u>428,407.29</u>
970	Excess (deficit) operating revenue over operating expenses	<u>(39,720.24)</u>	<u>5,407,092.59</u>
971	Extraordinary maintenance	49,258.32	-----
973	Housing assistance payments	-----	5,403,016.76
974	Depreciation expense	<u>277,876.79</u>	<u>13,583.44</u>
	Total expenses other than total operating	<u>327,135.11</u>	<u>5,416,600.20</u>
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	<u>(366,855.35)</u>	<u>(9,507.61)</u>
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	<u>\$ (366,855.35)</u>	<u>\$ (9,507.61)</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		New Construction 14,182	Community Development Block Grant 14,218
	<b>Assets:</b>		
	Current Assets:		
	Accounts and notes receivable:		
122	Accounts receivable-HUD	\$ 3,813.00	\$ 53,873.00
120	Total receivables, net of allowance for doubtful accounts	3,813.00	53,873.00
144/ (347)	Interprogram due from	201,120.87	(53,873.00)
150	Total current assets	204,933.87	----
	Noncurrent Assets:		
	Fixed assets:		
167	Construction in progress	----	53,873.00
160	Total fixed assets, net of accumulated depreciation	----	53,873.00
180	Total noncurrent assets	----	53,873.00
190	Total Assets	\$ 204,933.87	\$ 53,873.00
	<b>Liabilities and Equity:</b>		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (500.00)	\$ ----
322	Accrued compensated absences- current portion	(712.56)	----
310	Total current liabilities	(1,212.56)	----
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	(6,415.00)	----
350	Total noncurrent liabilities	(6,415.00)	----
300	Total liabilities	(7,627.56)	----

## LIVONIA HOUSING COMMISSION

Livonia, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.	New Construction 14.182	Community Development Block Grant 14.218
Equity:		
508.1 Investment in capital assets , Net of Related Debt	----	(53,873.00)
512.1 Unrestricted Net Assets	(197,306.31)	----
600 Total Liabilities and Equity	\$ (204,933.87)	\$ (53,873.00)
Revenue:		
706 HUD PHA operating grants	\$ (935,326.00)	----
706.1 HUD PHA capital grants	----	\$ (53,873.00)
716 Gain on sale of fixed assets	1,551.90	----
700 Total revenue	(933,774.10)	(53,873.00)
Expenses:		
Administrative		
911 Administrative salaries	14,088.00	----
912 Auditing fees	400.00	----
914 Compensated absences	438.14	----
915 Employee benefit contributions-administrative	5,635.00	----
916 Other operating-administrative	7,306.50	----
969 Total operating expenses	27,867.64	----
970 Excess (deficit) operating revenue over operating expenses	905,906.46	53,873.00
973 Housing assistance payments	865,173.00	----
Total expenses other than total operating	865,173.00	----
Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	40,733.46	53,873.00
1000 Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ 40,733.46	\$ 53,873.00

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	PIH Drug Program 14.854	Total
	<b>Assets:</b>			
	Current Assets:			
	Cash			
111	Cash-unrestricted	\$ -----	\$ -----	\$ 995,538.83
100	Total cash	-----	-----	995,538.83
	Accounts and notes receivable:			
122	Accounts receivable-HUD	-----	-----	57,686.00
126	Accounts receivable- tenants-dwelling rents	-----	-----	1,524.75
126.1	Allowance for doubtful accounts-dwelling rents	-----	-----	(1,240.00)
120	Total receivables, net of allowance for doubtful accounts	-----	-----	57,970.75
150	Total current assets	-----	-----	1,053,509.58
	Noncurrent Assets:			
	Fixed assets:			
161	Land	-----	-----	308,946.34
162	Buildings	-----	-----	5,076,255.99
163	Furniture, equipment and machinery-dwellings	-----	-----	161,607.26
164	Furniture, equipment and machinery-administration	-----	-----	402,210.49
165	Leasehold improvements	-----	-----	1,560,017.14
166	Accumulated depreciation	-----	-----	(3,686,131.40)
167	Construction in progress	227,899.00	-----	281,772.00
160	Total fixed assets, net of accumulated depreciation	227,899.00	-----	4,104,677.82
180	Total noncurrent assets	227,899.00	-----	4,104,677.82
190	Total Assets	\$ 227,899.00	\$ -----	\$ 5,158,187.40



LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	PIH Drug Program 14.854	Total
	<b>Liabilities and Equity:</b>			
	Liabilities:			
	Current Liabilities:			
312	Accounts payable < 90 days	\$ -----	\$ -----	\$ (37,190.33)
321	Accrued wage / payroll taxes payable	-----	-----	(78,904.80)
322	Accrued compensated absences- current portion	-----	-----	(7,923.92)
331	Accounts payable -HUD PHA programs	-----	-----	(55,072.00)
333	Accounts payable -other government	-----	-----	(19,238.73)
341	Tenant security deposits	-----	-----	(30,228.00)
342	Deferred revenues	-----	-----	(190.50)
346	Accrued liabilities-other	-----	-----	(24,088.37)
		<u>-----</u>	<u>-----</u>	<u>-----</u>
310	Total current liabilities	-----	-----	(252,836.65)
		<u>-----</u>	<u>-----</u>	<u>-----</u>
	Noncurrent Liabilities:			
354	Accrued compensated absences- non current portion	-----	-----	(71,322.00)
		<u>-----</u>	<u>-----</u>	<u>-----</u>
350	Total noncurrent liabilities	-----	-----	(71,322.00)
		<u>-----</u>	<u>-----</u>	<u>-----</u>
300	Total liabilities	-----	-----	(324,158.65)
		<u>-----</u>	<u>-----</u>	<u>-----</u>
	Equity:			
508.1	Investment in capital assets , Net of Related Debt	(227,899.00)	-----	(4,104,677.82)
		<u>-----</u>	<u>-----</u>	<u>-----</u>
512.1	Unrestricted Net Assets	-----	-----	(729,350.93)
		<u>-----</u>	<u>-----</u>	<u>-----</u>
600	Total Liabilities and Equity	\$ <u>(227,899.00)</u>	\$ <u>-----</u>	\$ <u>(5,158,187.40)</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.		Capital Fund Program 14.872	PIH Drug Program 14.854	Total
	<b>Revenue:</b>			
703	Net rental revenue	\$ -----	\$ -----	\$ (464,802.00)
704	Tenant revenue-other	-----	-----	(9,087.50)
705	Total tenant revenue	-----	-----	(473,889.50)
706	HUD PHA operating grants	-----	-----	(6,924,374.00)
706.1	HUD PHA capital grants	(227,899.00)	-----	(281,772.00)
711	Investment income-unrestricted	-----	-----	(6,901.33)
714	Fraud recovery	-----	-----	(4,490.70)
715	Other revenue	-----	-----	(38,223.21)
716	Gain on sale of fixed assets	-----	-----	2,760.70
700	Total revenue	(227,899.00)	-----	(7,726,890.04)
	<b>Expenses:</b>			
	Administrative			
911	Administrative salaries	-----	-----	322,039.88
912	Auditing fees	-----	-----	4,480.00
914	Compensated absences	-----	-----	13,329.20
915	Employee benefit contributions-administrative	-----	-----	157,056.77
916	Other operating-administrative	-----	-----	188,585.81
	Tenant services			
921	Tenant services-salaries	-----	-----	44,240.93
923	Employee benefit contributions-tenant services	-----	-----	20,969.00
924	Tenant services-other	-----	-----	2,116.32
	Utilities			
931	Water	-----	-----	21,512.83
932	Electricity	-----	-----	61,814.53
933	Gas	-----	-----	56,236.32

## LIVONIA HOUSING COMMISSION

Livonia, Michigan

## FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2004

FDS Line Item No.	Capital Fund Program 14.872	PIH Drug Program 14.854	Total
Ordinary maintenance and operation			
941 Ordinary maintenance and operation-labor	----	----	94,836.95
942 Ordinary maintenance and operation-materials & other	----	----	15,178.09
943 Ordinary maintenance and operation-contract costs	----	----	70,291.19
945 Employee benefit contributions-ordinary maintenance	----	----	47,180.82
General expenses			
961 Insurance premiums	----	----	28,457.00
962 Other general expense	----	----	2,050.41
963 Payments in lieu of taxes	----	----	19,238.73
964 Bad debts- tenant rents	----	----	1,349.85
968 Severance expense	----	----	874.60
969 Total operating expenses	----	----	1,171,839.23
970 Excess (deficit) operating revenue over operating expenses	227,899.00	----	6,555,050.81
971 Extraordinary maintenance	----	----	49,258.32
973 Housing assistance payments	----	----	6,268,189.76
974 Depreciation expense	----	----	291,460.23
Total expenses other than total operating	----	----	6,608,908.31
1000 Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	227,899.00	----	(53,857.50)
Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ 227,899.00	\$ ----	\$ (53,857.50)

Sailor

Khan & Co.

Certified Public Accountants

**Report on Compliance and on Internal Control Over Financial Reporting Based  
on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Board of Commissioners  
Livonia Housing Commission  
Livonia, Michigan

We have audited the financial statements of the Livonia Housing Commission, Michigan, (Commission) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

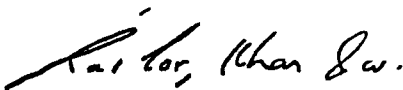
Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Livonia Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.  
June 7, 2005

Sailor

Certified Public Accountants

Khan & Co.

**Report on Compliance with Requirements Applicable to Each Major Program and  
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners  
Livonia Housing Commission  
Livonia, Michigan

Compliance

We have audited the compliance of the Livonia Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

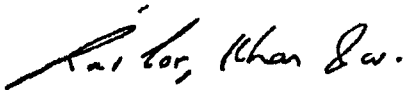
Sailor

Khan & Co.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Livonia Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.  
June 7, 2005

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**STATUS OF PRIOR AUDIT FINDINGS**

December 31, 2004

The prior audit report for the year ended December 31, 2003 contained one audit finding:

**Financial Statement Findings**

**Finding:** Section 8 New Construction Equipment Listing  
**Status:** Implemented.

**Federal Awards Findings**

None

LIVONIA HOUSING COMMISSION

Livonia, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2004

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	No
Identification of major programs:	

CFDA

Number(s)	Name of Federal Program
-----------	-------------------------

14-182	Section 8 New Construction
14-871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes



**LIVONIA HOUSING COMMISSION**

**Livonia, Michigan**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**December 31, 2004**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The current audit report for the year ended December 31, 2004 disclosed no Financial Statement audit findings.

**SECTION III - FEDERAL AWARD FINDINGS**

The current audit report for the year ended December 31, 2004 disclosed no Federal Awards audit findings.

**QUESTIONED COSTS**

None